

## **“Utah Intergenerational Poverty Work and Self-Sufficiency Tax Credit”**

Sponsor: Rep. John Westwood (Sen. Evan Vickers)

Appropriations Request for Social Services Appropriations Subcommittee for Monday, February 6, 2017

| <b><u>Appropriations Request Amount*</u></b> | <b><u>Use of Funds</u></b>  |
|--|---|
| \$5 million                                  | All funds will be used for a state Earned Income Tax Credit for families in the Intergenerational Poverty cohort who are working and are among the nearly 20% of Utah households that qualify for the federal EITC. The tax credit will be administered by the Utah State Tax Commission with data from the Utah Department of Workforce Services to verify which families are in the IGP population. We expect that 15,000-20,000 families will receive an annual tax credit averaging \$250 (with a maximum of about \$600, depending on income and # of children) to help them become self-sufficient and move out of poverty. |

\* Strictly speaking, this bill is a tax credit rather than an appropriation to a state agency. The expected \$5m fiscal impact would begin in FY19.

### **Policy Goal:**

- Reduce intergenerational poverty and welfare dependency by drawing more IGP adults into the workforce and helping them move up the job ladder to achieve self-sufficiency, a proven outcome of the EITC.

### **Rationale for the policy:**

- U.S. House Speaker Paul Ryan: “This is one of the few programs that have shown results. It encourages people to work by increasing the rewards of work.”
- Glenn Hubbard, Dean of Columbia Business School and Chairman of the Council of Economic Advisers under President George W. Bush: “EITC truly is our best option for supporting work.”
- Dr. Michael Strain, Director of Economic Policy Studies, American Enterprise Institute: “Conservatism places a uniquely strong emphasis on working, on earned success and rewarding those who contribute to the broader society through their work. The EITC does exactly that.”
- Hoover Institution: “EITC is probably the most cost-effective anti-poverty program the federal government operates.”

### **Measures of success:**

- Every year, DWS publishes a Utah Intergenerational Poverty Report that tracks the number of Utahns in intergenerational poverty. One measure of success would be a decrease in the overall number of IGP Utahns compared to the prior trend. Others would be the share of IGP adults working (62% in 2015), how much of the year they work (43% worked for most of 2015), and how much they earn each year (\$13,423 on average in 2015).
- Under this bill, DWS tracks the families that move out of intergenerational poverty. This data will enable us to determine whether more families move out of intergenerational poverty after this policy goes into effect than did so in the years prior.
- The data sharing under this bill will also better enable DWS and the Tax Commission to determine the number of IGP households receiving the federal EITC. Increasing the number of IGP families that receive the federal EITC is one of the IGP goals identified by the Intergenerational Welfare Reform Commission that was created by Sen. Stuart Reid’s Intergenerational Poverty Mitigation Act amendments legislation of 2013. <http://le.utah.gov/~2013/bills/static/SB0053.html>
- DWS could also partner with a university-based program to conduct interviews with a random sample of families that move out of the IGP cohort so as to determine how large an impact the federal and state EITCs had on their success in moving out of poverty.